

#### §412.316

Alaska and Hawaii, a cost-of-living adjustment factor)] + (Any applicable outlier payment).

(b) *Payment adjustments*—(1) *DRG weights*. The relative resource requirements of the discharge are taken into account by applying the DRG weighting factor that is assigned to the discharge under §412.60.

(2) *Geographic adjustment factors*—(i) *Local cost variation*. A geographic adjustment factor is applied that takes into account geographic variation in costs.

(ii) *Large urban add-on*. An additional adjustment is made for hospitals located in a large urban area to reflect the higher costs incurred by hospitals located in those areas.

(iii) *Cost-of-living adjustment*. An additional adjustment is made for hospitals located in Alaska and Hawaii to account for the higher cost-of-living in those States.

(3) *Disproportionate share adjustment*. For hospitals with at least 100 beds located in an urban area and serving low-income patients, a disproportionate share adjustment factor is applied that reflects the higher costs attributable to furnishing services to low income patients.

(4) *Indirect medical education adjustment*. An additional adjustment is made based on the ratio of residents to the average daily patient census of the hospital to account for the indirect costs of medical education.

(c) *Additional payment for outlier cases*. Payment is made for day outlier cases as provided for in §412.82 and for cost outlier cases if both capital-related and operating-related costs exceed the cost outlier threshold as provided for in §412.84.

(d) *Payment for transfer cases*. Payment is made for transfer cases as provided for in §412.4.

#### §412.316 Geographic adjustment factors.

(a) *Local cost variation*. HCFA adjusts for local cost variation based on the hospital wage index value that is applicable to the hospital under §412.63(k). The adjustment factor equals the hospital wage index value applicable to the hospital raised to the .6848 power

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and is applied to 100 percent of the Federal rate.

(b) *Large urban location*. HCFA provides an additional payment to a hospital located, for purposes of receiving payment under §412.63(a), in a large urban area equal to 3.0 percent of what would otherwise be payable to the hospital based on the Federal rate.

(c) *Cost-of-living adjustment*. HCFA provides an additional payment to a hospital located in Alaska and Hawaii equal to  $[(.3152 \times (\text{the cost-of-living adjustment factor used to determine payments under } §412.115 - 1))] \text{ percent}$ .

#### §412.320 Disproportionate share adjustment factor.

(a) *Criteria for classification*. A hospital is classified as a “disproportionate share hospital” for the purposes of capital prospective payments if either of the following conditions is met:

(1) The hospital is located, for purposes of receiving payment under §412.63(a), in an urban area, has 100 or more beds as determined in accordance with §412.105(b) and serves low-income patients, as determined under §412.106(b).

(2) The hospital meets the criteria in §412.106(c)(2).

(b) *Payment adjustment factor*. (1) If a hospital meets the criteria in paragraph (a)(1) of this section for a disproportionate share hospital for purposes of capital prospective payments, the disproportionate share payment adjustment factor equals  $[e \text{ raised to the power of } (.2025 \times \text{the hospital's disproportionate patient percentage as determined under } §412.106(b)(5)), - 1]$ , where  $e$  is the natural antilog of 1.

(2) If a hospital meets the criteria in §412.106(c)(2) for purposes of hospital inpatient operating prospective payments, the disproportionate share adjustment factor is the factor that results from deeming the hospital to have the same disproportionate share patient percentage that would yield its operating disproportionate share adjustment.

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